

LIFE HEALTHCARE GROUP HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2003/002733/06)

ISIN: ZAE000145892

Share Code: LHC (“Life Healthcare” or “the Group” or “the Company”)

VOLUNTARY TRADING UPDATE FOR THE PERIOD 1 OCTOBER 2020 TO 31 DECEMBER 2020

The Group provides the following trading update for the quarter ended 31 December 2020 (“Q1 FY2021”).

Group financial performance and balance sheet update

The Group’s trading for the Q1 FY2021 period (1 October 2020 to 31 December 2020) exceeded expectations, growing revenue by approximately 5% on a like-for-like basis compared with Q1 FY2020 and approximately 4% over Q4 FY2020 (1 July 2020 to 30 September 2020). Group normalised EBITDA¹ continues to be impacted by the higher operational costs associated with COVID-19 resulting in normalised EBITDA decreasing by approximately 15% against Q1 FY2020. Group normalised EBITDA for Q1 FY2021 was approximately 32% better than Q4 FY2020 given improving activity across the group in October and November.

The Group’s net debt remains similar to that at 30 September 2020 and the net debt to normalised EBITDA ratio remains well within the Group’s banking covenants. In addition, the Group continues to have sufficient banking facilities available. The currently available but unutilised facilities remain similar to the R6.3 billion reported at September 2020.

The Group has concluded the disposal of Scanmed in Poland although completion of the disposal process remains contingent on final regulatory approvals. We expect the disposal process to be finalised by the end of Q2 FY2021.

Southern African operations

Activities for Q1 FY2021 have been impacted by the second COVID-19 wave but showed good improvement on Q3 and Q4 FY2020. COVID-19 only started to impact the Group’s southern African operations during March 2020, and hence the Q1 FY2020 period was not affected by COVID-19.

Paid Patient Days (“PPDs”) continued to increase with occupancies for October 2020 and November 2020 increasing to 58% and 60% respectively from 53% in September 2020. This was primarily driven by an increase in elective surgical cases. Theatre minutes for October 2020 and November 2020 were c.90% of prior year and up c.10% on September 2020 theatre minutes. Occupancies were negatively impacted by the slow return of medical cases over this period.

December 2020 activities were impacted by the second COVID-19 wave with hospitals restricting and then voluntarily stopping elective surgeries to cope with the increasing number of COVID-19 patients. Occupancies for December 2020, which is traditionally a quiet period, were 55.2% (54.8% in December 2019) driven by the increased COVID-19 admissions.

Revenue growth in the southern Africa operations was approximately 1% below Q1 FY2020 and 6% above Q4 FY2020. The increase in revenue was driven by the increase in elective cases in October and November 2020, the increase in COVID-19 admissions in December 2020 and a higher revenue per PPD due to the continued change in underlying case mix.

¹ Life Healthcare defines normalised EBITDA as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading related costs and income

The increase in underlying activities and more efficient management of underlying costs within the COVID-19 environment resulted in normalised EBITDA increasing by approximately 78% on Q4 FY2020. However, the higher operating costs associated with treating COVID-19 patients as well as the lower occupancies compared to prior year continue to have a negative impact on normalised EBITDA with normalised EBITDA decreasing by approximately 34% against Q1 FY2020.

International operations

The International operations (excluding the Polish operations which are now classified as discontinued operations) had a strong Q1 FY2021 with revenue up approximately 13% (in GBP) versus Q1 FY2020, and up approximately 6% versus Q4 FY2020. Normalised EBITDA was up by approximately 37% (in GBP) versus Q1 FY2020 and up approximately 1% versus Q4 FY2020.

While the impact of COVID-19 on the Group's International operations was felt earlier in FY2020 than the southern African operations, this impact only started after the Q1 FY2020 period.

Total scan volumes in our International operations improved by approximately 4% versus Q1 FY2020 and by 3% versus Q4 FY2020. PET CT volumes in the UK increased by approximately 7% versus Q1 FY2020 and by 6% versus Q4 FY2020.

This strong performance was driven by a number of factors during the period including:

- increased scan volumes compared with the prior year which can be attributed to some catch-up of backlogs which developed during initial COVID-19 lock-downs in Q2 and Q3 FY2020;
- increased utilisation and reduced costs following the maintenance downtime and expenditure on our cyclotrons in FY2020; and
- additional income streams resulting from COVID-19 initiatives, including blood tests in Italy and timely mobilisation of additional mobile CT services across Europe (many of which are likely to be temporary in duration).

Q1 FY2021 financial summary showing the % change over prior Q1 FY2020 and Q4 FY2020 periods

	% change Q1 FY2021 vs Q1 FY2020	% change Q1 FY2021 vs Q4 FY2020
Group (ZAR)		
Revenue	5%	4%
Normalised EBITDA	-15%	32%
Southern Africa (ZAR)		
Revenue	-1%	6%
Normalised EBITDA	-34%	78%
International (GBP)		
Revenue	13%	6%
Normalised EBITDA	37%	1%

COVID-19 Second Wave update

The emergence of a second wave of COVID-19 infections, around the world continues to pose a significant challenge to the Group. Our International operations were affected first and by the end of 2020 there were already stringent lockdowns in many of the territories in which our International business operates. While these restrictions have limited the movement of people around Europe, the demand for our scanning services has remained strong.

In our southern African operations the second wave emerged later in 2020, thus the impact of the second wave on the southern African operations was only experienced towards the end of the quarter and has continued into Q2 FY2021.

To date over 23,000 COVID-19 patients have been admitted into our facilities with higher volumes of COVID-19 patients compared to wave 1.

The Group applied the detailed learnings from the first COVID-19 wave not only to the medical treatment of patients in the second wave but also to the speed of internal decision making, detailed cost management and the continued cash preservation programme initiated during FY2020.

Life Healthcare continues to provide support to Governments in the countries of its operations. Life Healthcare has always been available and willing to assist in treating public patients during the pandemic, but to date has only admitted c.20 public patients across the Group's hospital network. In the UK, Alliance Medical has provided 16 Mobile CT Scanners to support the NHS's response to COVID-19.

Group COVID-19 vaccination update

The Group set up a Life Healthcare Vaccine Task Team, that has delivered a detailed operational plan for the vaccination of our staff, doctors, allied healthcare workers and other key individuals, within the South African operations in anticipation of the arrival of vaccines. The Vaccine Task Team will continue to work in close cooperation with all necessary external parties, stakeholders and authorities.

With the approval and roll out of a country-wide vaccination programme within the United Kingdom and Europe, we are pleased to announce that to date over 450 (c25%) of our staff within Alliance Medical have received their first COVID-19 vaccine dose.

Appreciation

The pandemic has put tremendous pressure on all the resources of the Group. The Group's employees continue to perform extremely well under very stressful circumstances. We thank them for their ongoing dedication, their courage, their empathy and their tireless work in the fight against this disease. We also extend our deepest condolences to our staff, patients and their families who have lost loved ones as a result of the pandemic.

Mustaq Brey steps down as Chairman and Board member on 27 January 2021. He has served the Group since 2003 as a Board member and has led the Board from 2013. During his tenure as Chairman, the Group has grown revenue from R11.8bn in 2013 to R25.4bn in 2020, the Group's operations have expanded from 416 facilities in 3 countries, to 650 facilities across 14 countries, and the Group has paid R7.0bn in distributions to shareholders. His vision, leadership, courage and passion for the business will be sorely missed. The Board and the management team thank him and his family for his immense contribution and dedication to the Group.

The Group will provide a further trading update at the end of April 2021 and will release interim results for 6 month period ending 31 March 2021 on or about 27 May 2021.

The financial information on which this trading update is based has not been reviewed nor reported on by the Group's external auditors.

About Life Healthcare Group

Life Healthcare Group is a market-leading, international, diversified healthcare organisation and is listed on the Johannesburg Stock Exchange.

Life Healthcare has over 33 years' experience in the South African private healthcare sector, and currently operates 66 healthcare facilities in southern Africa. Services include acute hospital care, acute physical rehabilitation, acute mental healthcare, renal dialysis, and employee health and wellness services.

The Group owns Alliance Medical Group, a leading independent provider of medical imaging services operating across 10 countries within Europe.

27 January 2021

Sponsor

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